

# ENVIRONMENT

## CONTEXT

Next recognises it has a responsibility to work towards minimising the direct impact of its business operations on the environment both now and in the future. Through the development and operation of good business practices we continue to work to reduce our environmental impacts by reducing the carbon intensity of our activities and the natural resources we use.

### Our Approach

We have identified three key operational activities which are environmentally significant for Next, where we consider we have direct operational control and which will continue to be important in terms of our environmental focus. They are:

- **energy use** from our stores, warehouses, distribution centres and offices
- **fuel consumption** from the distribution of products to our stores and our customers' homes
- **waste** created in our stores, warehouses, distribution centres and offices

During the year we have been working to identify and implement operational changes in how we operate our business that will help to minimise our impact on the environment. We understand our responsibility to work towards minimising the direct impacts of our operations as these actions will both deliver an environmental benefit and identify cost-effective opportunities for Next. We are committed to reducing our carbon footprint by reducing energy consumption throughout our operations, minimising and recycling waste from our operations, working to cut transport emissions as well as working to reduce the packaging in our products.

### Climate Change

Climate change is now recognised as one of the biggest global environmental challenges facing us all. Since our first Corporate Responsibility Report in 2004, we have been reporting the carbon dioxide (CO<sub>2</sub>) emissions associated with our business as well as how we have been working to reduce these emissions.

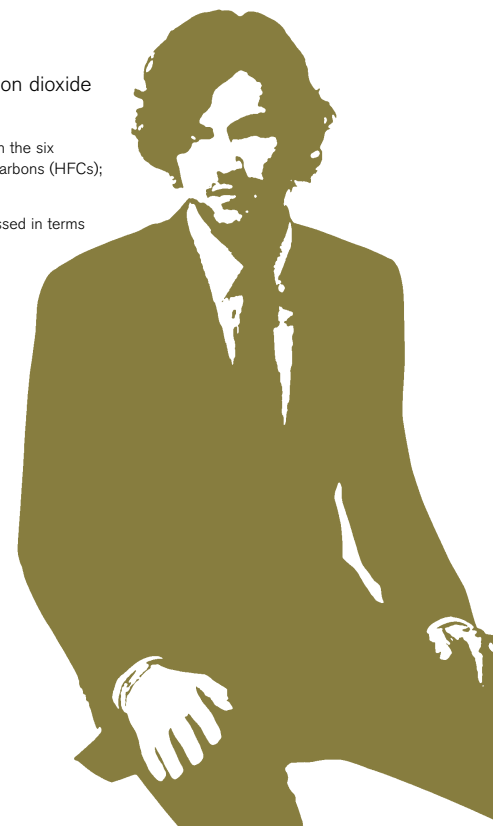
Through the UK Climate Change Act, the Carbon Reduction Commitment (CRC) is new legislation coming into force in 2010 that will affect Next. We are continuing to prepare for the legislation by reviewing how we can improve our measuring and monitoring of energy consumption through the application of improved metering equipment that will provide immediate and accurate information and data. The additional meters will be installed in around 140 stores by summer 2009.

### Next Plc Global Carbon Footprint

We have measured our global direct carbon footprint in 2008 as 288,344 tonnes of CO<sub>2</sub>-e (carbon dioxide equivalents).

A carbon footprint is calculated by measuring the annual emissions of an organisation and their impact on climate change through the six greenhouse gases (GHGs) listed in the Kyoto Protocol : carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>)

CO<sub>2</sub>-e is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the six GHGs, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate different GHGs against a common basis.



## ENVIRONMENT...continued

---

We have measured the greenhouse gas (GHG) emissions produced from the operational activities of Next Plc where we have direct control.

Our global direct carbon footprint includes emissions from:

- Properties - our stores, warehouses and distribution centres in the UK and Ireland; our global offices, call centres and manufacturing facilities
- Distribution - our distribution of Next products to Retail stores or customers' homes
- Business travel

We have calculated our carbon footprint using the World Business Council for Sustainable Development (WBCSD) greenhouse gas protocol which is the recognised standard for corporate carbon reporting, and updated guidelines produced by the UK Government (DEFRA) in 2008.

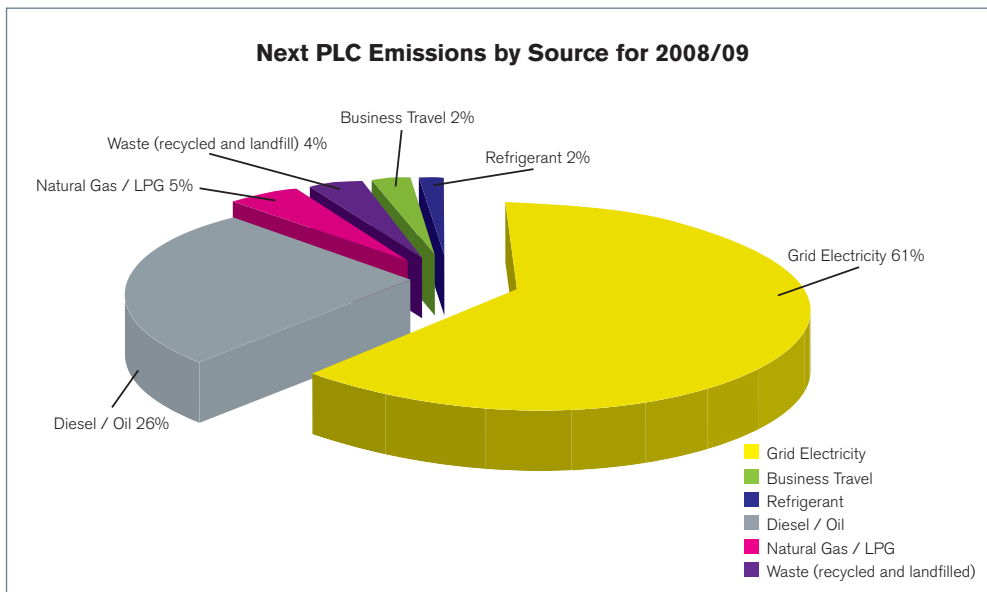
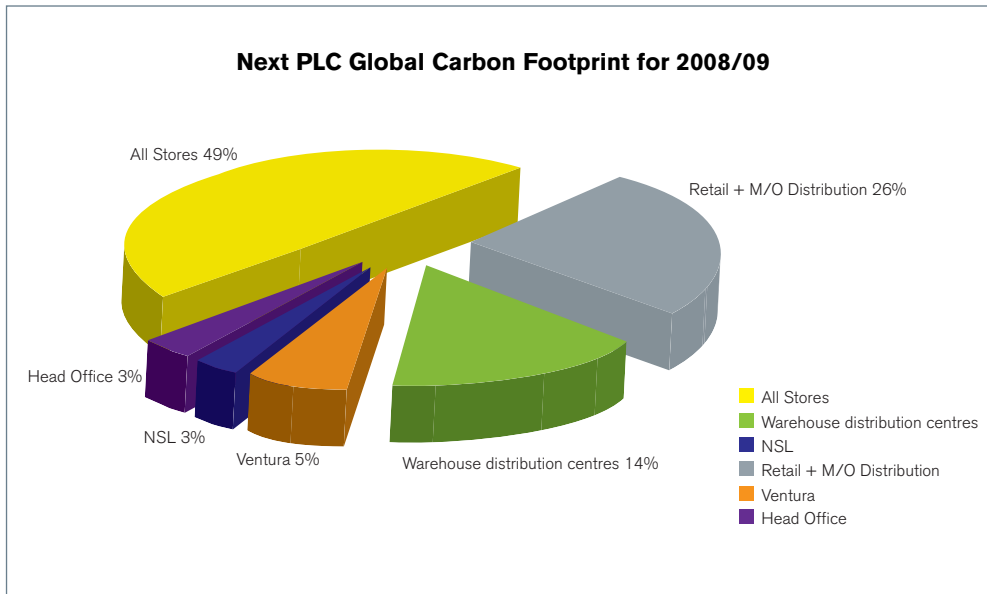
### Waste and recycling

Over 95% of the waste we produce is generated by our stores, warehouses and distribution centre, with 47% of this waste coming from packaging materials such as cardboard and polythene. We now have over 300 of our stores segregating and sorting cardboard and polythene waste for collection and reverse hauling for recycling. Our new in-house recycling centre based at one of our main distribution warehouses was built during 2008 and was officially opened during February 2009. It allows us to gather materials for recycling from a further 110 stores. In addition to processing cardboard and polythene, the facility is able to handle other streams of dry waste materials for recycling, and during 2009 we will be rolling out a programme to our stores and distribution centres to segregate additional streams of waste to further reduce the amount we send to landfill. This investment will help to achieve our long term aim of working towards sending no operational waste to landfill, which is a goal we have been working towards.

## ENVIRONMENT....continued

### DATA

**Next Plc Global Direct Carbon Footprint** - 288,344 tonnes of CO<sub>2</sub>-e



We have used the World Business Council for Sustainable Development (WBCSD) greenhouse gas protocol which is the recognised standard for corporate carbon reporting, and updated guidelines produced by the UK Government (DEFRA) in 2008.

## ENVIRONMENT....continued

CO <sub>2</sub> EMISSIONS - UTILITIES IN UK AND IRELAND FOR HEAD OFFICE, STORES, WAREHOUSING:						
	YEARENDING JAN 2007		YEARENDING JAN 2008		YEARENDING JAN 2009	
UTILITIES	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>
Electricity consumption including estimations	296,693,522	159,324	305,319,964	163,957	302,087,555	162,221
Gas consumption including estimations	55,557,376	10,278	54,458,153	10,075	57,022,358	10,549
		169,602		174,032		172,770
Square footage	12,224,333		12,677,700		12,912,733	
Tonnes of CO <sub>2</sub> per 1000ft <sup>2</sup>	13.87		13.73		13.37	

CO <sub>2</sub> EMISSIONS - UTILITIES IN UK FOR VENTURA						
	YEARENDING JAN 2007		YEARENDING JAN 2008		YEARENDING JAN 2009	
UTILITIES	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>
Electricity consumption including estimations	16,315,493	8,761	17,460,189	9,376	17,375,320	9,331
Gas consumption including estimations	6,584,922	1,218	6,104,104	1,129	7,705,386	1,425
		9,979		10,505		10,756
Square footage	528,762		528,762		496,760	
Tonnes of CO <sub>2</sub> per 1000ft <sup>2</sup>	18.87		19.87		21.65	

Note for the above tables :

- Electricity and gas consumption for y/e Jan 08 has been restated based on actual data in place of estimates
- Y/E Jan 2009 has been calculated using the updated DEFRA guidelines and for comparison purposes y/e Jan2007 and Jan 2008 have also been re-calculated

## ENVIRONMENT....continued

CO <sub>2</sub> EMISSIONS - RETAIL DELIVERIES IN UK AND IRELAND:									
Retail Deliveries	YEAR ENDING JAN 2007			YEAR ENDING JAN 2008			YEAR ENDING JAN 2009		
	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>
Mainline - Diesel	6,276,366	21,500,912	16,821	6,122,227	21,058,571	16,408	6,194,489	21,465,518	16,601
Ireland - Diesel	854,257	2,831,629	2,289	781,700	2,953,143	2,095	925,818	3,292,823	2,481
			19,110			18,503			19,082
N° of items sold	240,913,000			213,403,223			198,125,597		
Tonnes of CO <sub>2</sub> per 1000 items sold	0.079			0.087			0.096		

CO <sub>2</sub> EMISSIONS - DIRECTORY DELIVERIES IN UK AND IRELAND:									
Directory Deliveries	YEAR ENDING JAN 2007			YEAR ENDING JAN 2008			YEAR ENDING JAN 2009		
	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>
Distribution - Diesel (confirmed figures from dedicated carriers)	4,050,000	16,167,000	10,854	4,199,000	17,323,000	11,252	4,378,000	17,566,000	11,517
Distribution - Diesel (confirmed figures from shared carriers)	3,887,000	32,573,000	10,418	3,850,000	31,946,000	10,319	3,579,000	31,047,000	9,413
Distribution - Unleaded Petrol (may include an element of diesel-estimated figures from shared carriers)	2,109,000	23,147,000	4,872	2,096,000	23,005,000	4,842	2,018,000	22,146,000	4,672
			26,144			26,413			25,602
N° of items delivered	86,437,000			85,894,000			83,214,000		
Tonnes of CO <sub>2</sub> per 1000 items delivered	0.302			0.308			0.307		

## ENVIRONMENT....continued

NO <sub>x</sub> EMISSIONS - DIRECTLY OWNED VEHICLES (TONNES)			
	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
Retail	183	167.5	97.6
Directory	-	52.1	41.2
<b>TOTAL</b>	<b>183</b>	<b>219.6</b>	<b>138.8</b>

NEXT WASTE AND RECYCLING (TONNES)		
	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
General Waste collection for disposal	22,772	17,703
Cardboard collection and separated for recycling	16,414	14,572
Plastic collected and separated for recycling	1,704	1,132
Other materials collected and separated for recycling	218	437
<b>Total Waste</b>	<b>41,108</b>	<b>33,844</b>
Total Waste Recycled	18,336	16,141
<b>% Waste Recycled</b>	<b>45%</b>	<b>48%</b>

WATER CONSUMPTION IN UK AND IRELAND			
	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
Buildings. (Head Office, Stores, Warehousing and Directory)	252,962m <sup>3</sup>	263,834m <sup>3</sup>	274,038m <sup>3</sup>
Ventura	41,680m <sup>3</sup>	39,649m <sup>3</sup>	30,831m <sup>3</sup>

## ENVIRONMENT...continued

---

### SUCCESSSES

#### Energy

During the year we have focused on our commitment to reduce energy consumption throughout our operation, through the implementation of energy saving initiatives including improved management using the building management system and staff awareness training.

Next first installed a building management system into a store in 1997. The system is now installed in 388 of our stores and automatically manages some key store functions such as when the shop floor lighting is activated ahead of when the store opens for trading, when the shop window display lights are turned on and off and improved control strategies for our in-store air conditioning systems. The system provides increased visibility and understanding of our energy consumption by store and also identifies any faults or malfunctions at individual store level so they can be immediately investigated and rectified.

369 stores are installed with half-hourly modem meters which pass each store's 'live' energy consumption information into a data collection facility. This allows us to actively track energy performance and monitor consumption in these stores. In preparation for the forthcoming CRC legislation, during the second part of 2008, we started to install automatic metering in the remainder of our stores to provide improved visibility and monitoring of the energy consumption of these stores as well. The programme of installation in our existing stores will be completed by summer 2009.

Our energy saving initiatives have included the replacement of existing lighting schemes in 250 stores with a new lighting scheme that uses less energy but produces the same level of lighting. We have begun a programme throughout the whole business to install occupancy sensors to either dim or completely turn off lights when they are not required in offices, meeting rooms, corridors, rest facilities and stock rooms. Within our warehousing operation we have included roof window panels to maximise natural lighting, supplemented with daylight activated lighting controls in two of our new warehouses that became fully operational in 2008 as well as undertaking a full review of where lighting is used in our warehouses to ensure potential savings are maximised. This review has identified an opportunity to introduce a new lighting scheme, starting summer 2009 that will offer significant savings for the future.

One of our major challenges in our retail stores is to manage the internal ambient temperature in-store to provide a comfortable shopping experience. We are trialling 'free cooling' systems in six stores using both mechanical and supplementary technologies.

- Mechanical free cooling utilises the cooler outside air when its temperature is less than 12°C to cool the store instead of conventional air conditioning systems
- Supplementary free cooling is used in conjunction with the store's existing air conditioning system. Cold air is drawn in through the entrance doors, and this cooler air will displace the warmer air and with the provision of roof top fans will extract the hot air out of the store

We are closely monitoring how these technologies perform to understand the potential energy saving opportunities as well as any feedback from our customers about their in-store experience and will be able to provide an update in a future report.

With all of our actions we are pleased that even with the cold winter we have experienced and the new stores and floor space added to the estate we have reduced our electricity consumption by 1% during 2008. In our 370 like-for-like stores (stores that have traded continually without a re-fit) we have been able to deliver a 5% reduction during the year.

Gas is used mainly for heating across the business, and due to the cold winter we experienced, our consumption increased by 5% during 2008. However, across our stores, warehouses and Head Office the tonnes of CO<sub>2</sub> emitted per 1000ft<sup>2</sup> for both electricity and gas reduced by 3% on the previous year.

## ENVIRONMENT...continued

---

### Green Champions

Engagement with our employees is an important aspect of helping to manage our impact on the environment. Within the business we have undertaken employee awareness raising of the role all employees can take with simple measures such as turning lights off when not needed, turning off electrical equipment, such as computers at the end of the day, setting up photocopiers to print double sided, segregating waste for recycling.

Within our stores we have established the Green Champion role, with specifically appointed employees who have received additional training to support our store and area managers to implement environmental initiatives within their stores, identify opportunities to save energy and reduce waste and encourage involvement from their work colleagues to work to reduce our environmental impact as a business.

### Waste

Through our stores, warehouses, distribution centres and offices in 2008, we created around 34,000 tonnes of waste and were able to recycle 48% (2007:45%)

During 2008 we undertook the construction of our own recycling centre to handle initially the cardboard and polythene waste created in the business. The recycling centre started to take in materials for recycling in December 2008 and became fully operational in February 2009. The materials are compacted and baled before being sold for recycling. With this new facility, during 2009, we will be able to collect cardboard and polythene from more stores and prevent it from being sent to landfill, thereby helping to increase our recycling rate.

An average Next store creates 255kg of waste, made up from:

- 171kg cardboard
- 42kg polythene
- 42kg general waste

Our long term aim is to send no operational waste to landfill and to achieve this we have identified further streams of dry waste materials, from the 42kg of general waste an average store creates, that can be segregated and collected for recycling. Our stores have been provided with collection bins for materials such as paper, tissue, plastic bottles, cans etc that can all be removed from the general waste stream and returned through our reverse hauling operation for recycling at the recycling centre. We started to roll this out towards the end of 2008 and by summer 2009 we will have around 350 stores participating in our recycling initiatives. We will continue to investigate and understand what further opportunities there are to divert other waste materials, from our general waste, away from landfill as we work towards achieving our long term aim, which we will discuss in more detail in next years report.

There are around 150 stores from which we do not currently collect materials from for recycling, due to their location, restricted storage areas, or because waste is collected centrally as part of a shopping centre or retail park service agreement. We are working with these stores to identify opportunities for their waste to be collected for recycling in the future.

In addition to working to increase the amount of waste we are able to recycle we have also been working with our internal technical teams and our suppliers to reduce the amount of packaging used in our products. From a project we initially started with Envirowise, towards the end of 2008 our in-store Green Champions started to identify products they felt contained too much packaging. The products are reviewed by our technical teams and alternative packaging methods are agreed with our suppliers. This ongoing initiative will deliver benefits to the environment, our business and our customers by reducing the amount of packaging included in the products we sell.

The launch of the universal On-Pack Recycling Label scheme being developed by the BRC and WRAP was delayed until March 2009. We are now reviewing how best to utilise this voluntary initiative for the labelling of Next packaging materials, to help encourage consumers to recycle more packaging at home.

Employees at our Head Office site have also been provided with improved facilities to recycle more streams of waste, with the introduction of a new colour coded bin system to aid collection.

## ENVIRONMENT...continued

---

### Distribution Emissions

Following the upgrading of the fleet of articulated lorries that deliver product to our Retail stores to Euro V engines during 2007 ahead of legislation, we have seen a 42% reduction in nitrogen oxide (NOx) emissions. During 2008, we have also upgraded the vehicles within our Home Delivery fleet that deliver the heavy items we sell directly to our customers' homes, to Euro V engines and are starting to see the benefits of a reduction in NOx emissions.

We have seen a 10% increase in the CO<sub>2</sub> emissions(per 1000 items delivered) associated with delivering to our retail stores during 2008. The increase has come from the new stores we have opened in Ireland and Northern Ireland during the year. In addition the current economic downturn means that we are delivering fewer items to our stores, resulting in lower efficiency rates. We are currently reviewing our delivery schedule planning to identify opportunities for improved delivery efficiencies.

### Water

Next is not a major consumer of water, but we recognise it is a natural resource and we are working to minimise the amount we use over time. We already have a measuring and monitoring process in place in over 70% of our properties in the UK and Ireland which allows us to identify unusual consumption, leakages etc.

Through the introduction of a waterless urinal system during 2008, Ventura has been able to reduce the water consumption in their UK sites by 22%. At our Head Office site, following a trial during 2008, we have rolled out a similar urinal system and will be able to measure the water savings made going forward. During 2009 we will investigate the suitability of installing similar systems in our stores also.

### Construction waste

In line with new legislation it is a legal requirement to produce a Site Waste Management Plan (SWMP) for all building projects over a certain size. One of the aims of the legislation is to reduce the amount of construction waste from being sent to landfill sites and to encourage the recycling of suitable materials. From January 2009, we have implemented this requirement on all Next store projects. This gives us visibility of, and the ability to understand in more detail, the amount of waste associated with new stores or the re-fitting of existing stores, and how much waste can be recycled. We will report on this more fully in future reports.

## OPPORTUNITIES AND PRIORITIES

- Investigate the opportunity to purchase renewable energy for our stores in Ireland and Northern Ireland
- Investigate and develop improved monitoring and reporting systems through our building management system to facilitate visibility and analysis of separate store functions e.g. air conditioning, lighting etc
- Investigate new lighting technologies for our stores
- Prepare for the forthcoming EU Regulations concerning the phasing out of ozone depleting substances used in air conditioning equipment and refrigeration across the business
- Analyse the remaining waste materials contained in general waste to identify opportunities to segregate and divert away from landfill in line with available recycling technologies to establish a time-line to achieve our long term aim of sending no operational waste to landfill